

DELAWARE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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DELAWARE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
William J. Skinner	Board of Supervisors	Jan. 2005
Steven Koenke	Board of Supervisors	Jan. 2005
Shirley E. Helmrichs	Board of Supervisors	Jan. 2007
Sharon McCrabb	County Auditor	Jan. 2005
Carolyn Wilson	County Treasurer	Jan. 2007
Deborah Peyton	County Recorder	Jan. 2007
John LeClere	County Sheriff	Jan. 2005
John Bernau	County Attorney	Jan. 2007
John Klaus	County Assessor	Jan. 2004
(After January 2004)		
William J. Skinner	Board of Supervisors	Jan. 2005
Steven Koenke	Board of Supervisors	Jan. 2005
Shirley E. Helmrichs	Board of Supervisors	Jan. 2007
Sharon McCrabb	County Auditor	Jan. 2005
Carolyn Wilson	County Treasurer	Jan. 2007
Deborah Peyton	County Recorder	Jan. 2007
John LeClere	County Sheriff	Jan. 2005
John Bernau	County Attorney	Jan. 2007
John Klaus	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Delaware County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Delaware County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware County at June 30, 2004 and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 12 to the financial statements, during the year ended June 30, 2004, Delaware County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated November 10, 2004 on our consideration of Delaware County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Delaware County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
November 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Delaware County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Delaware County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operation.

2004 FINANCIAL HIGHLIGHTS

- The County's Governmental fund revenues increased approximately \$1,432,227 from fiscal 2003 to fiscal 2004. Property taxes and other county tax increased approximately \$422,749.
- The County's Governmental fund expenditures increased approximately \$1,057,299, more in fiscal 2004 than in fiscal 2003. Roads and transportation expenditures increased by approximately \$258,082 and capital projects expenditures increased approximately \$656,490.
- The County's net assets increased 35%, or approximately \$2,871,402, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Delaware County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Delaware County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Delaware County acts solely as an agent or custodian for the benefit of those outside of County Government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's Governmental Activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, non-program activities, and capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Fiduciary funds are used to report assets held in trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for Emergency Management Services, County Assessor and the agency funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities. Fiduciary funds also include the Private Purpose Trust Fund that is used to account for outside donations held by the County for the benefit of county residents.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. A two year comparison will be shown for the next fiscal year focusing on the changes in the net assets for governmental activities as shown below for 2004.

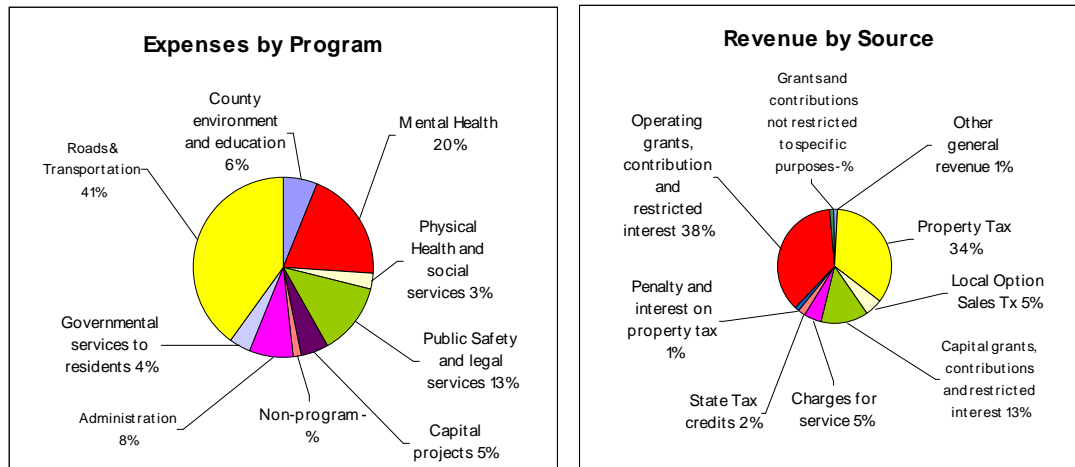
Net Assets of Governmental Activities	
	June 30, 2004
Current and other assets	\$ 9,476,699
Capital assets	<u>7,160,261</u>
Total assets	<u>16,636,960</u>
Long-term debt outstanding	298,311
Other liabilities	<u>5,301,613</u>
Total liabilities	<u>5,599,924</u>
Net assets:	
Invested in capital assets, net of related debt	6,953,752
Restricted	2,719,215
Unrestricted	<u>1,364,069</u>
Total net assets	<u>\$ 11,037,036</u>

Net assets of Delaware County's governmental activities increased by \$2,871,402 from 2003 (\$8,165,634 million compared to \$11,037,036). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – are reported at approximately \$1,364,069 at June 30, 2004.

Changes in Net Assets of Governmental Activities

	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for services	\$ 710,178
Operating grants, contributions and restricted interest	5,097,022
Capital grants, contributions and restricted interest	1,799,794
General revenues:	
Property tax	4,519,010
Penalty and interest on property tax	81,024
State tax credits	311,877
Local option sales tax	679,846
Grants and contributions not restricted to specific purposes	50,073
Unrestricted investment earnings	101,028
Other general revenues	85,844
Total revenues	<u>13,435,696</u>
Program expenses:	
Public safety and legal services	1,351,499
Physical health and social services	368,647
Mental health	2,108,678
County environment and education	582,044
Roads and transportation	4,303,909
Governmental services to residents	393,019
Administration	891,120
Non-program	8,277
Capital projects	557,101
Total expenses	<u>10,564,294</u>
Increase in net assets	2,871,402
Net assets beginning of year, as restated	<u>8,165,634</u>
Net assets end of year	<u>\$ 11,037,036</u>



(FOR ILLUSTRATIVE PURPOSES)

INDIVIDUAL MAJOR FUND ANALYSIS

As Delaware County completed the year, its governmental funds reported a combined fund balance of \$4,172,787, an increase of \$140,668 above last year's total of \$4,032,119. The increase in fund balance is primarily attributable to increased taxes and intergovernmental revenues. The following are fund balances of the major funds from the prior year:

	<u>Ending Fund Balances</u>					
	General Fund	MH Fund	Rural Services Fund	Secondary Road Fund	Other	Total
2003	1,293,194	550,386	36,425	2,113,654	38,460	4,032,119
2004	1,394,885	322,217	79,207	2,309,174	67,304	4,172,787
Difference	101,691 8%	(228,169) (41%)	42,782 117%	195,520 9%	28,844 75%	140,668 3%

As the County completed the year, its governmental funds reported a combined fund balance of \$4,172,787. This is an increase of \$140,668 over the previous year. The following are major reasons for the changes in fund balances from the prior year:

1. General Basic Fund revenues and expenditures remained fairly consistent when compared to the prior year. The ending fund balance showed a modest increase of \$101,691. Not all departments used their total budget resulting in the increase.

2. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,107,917, an increase of 2% over the prior year. The mental health fund balance at year end was down 41% from the prior year. Lowering this ending balance qualifies Delaware County for more state funding of the growth and other state allocation dollars for 2005.
3. The Secondary Road Fund expenditures increased considerably for 2004 at \$5,826,519, up \$1,234,552, or 27 percent, from 2003. The Engineer's Department continues to aggressively upgrade the condition of the County road system, with an increase of approximately \$976,470 of funds spent on road projects over the amount spent on road projects in 2003.
4. The Rural Services Fund expenditures for 2004 were \$118,038, almost identical to the 2003 expenditures. This fund supports county libraries, weed eradication, township officials, economic development and solid waste disposal expenses in the County. Transfers are also made from this fund to the Secondary Road Fund per Iowa Code. The ending fund balance increased \$36,425 from 2003.

BUDGETARY HIGHLIGHTS

Over the course of the year, Delaware County amended its budget two times. The first amendment was made August 4, 2003 and resulted in an increase in budgeted disbursements for county environment and education for a \$158,000 grant for EIC Mfg. not used in the fiscal 2003 budget year. The second amendment was made on March 15, 2004. This amendment was made to increase the Sheriff's budget within public safety and legal services by \$20,800 for adult correctional services; increase physical health and social services by \$11,615 for VA rent payments and utilities; increase roads and transportation by \$448,500 for engineering services, maintenance of roads, equipment operations and building maintenance; and increase capital projects by \$400,000 for road construction. The County did not exceed the budget for any of the ten county functions during the course of the year or at year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Delaware County had approximately \$7,160,261, net of accumulated depreciation of \$4,478,416, invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities At Year End	
<hr/>	
	June 30, 2004
Acquisition cost:	
Land	\$ 571,124
Construction in progress	242,188
Buildings and improvement	2,034,371
Equipment and vehicles	6,191,968
Infrastructure	<u>2,599,026</u>
Total	\$ 11,638,677
Accumulated depreciation:	
Buildings	\$ (1,679,693)
Machinery & Equipment	(2,698,444)
Infrastructure	<u>(100,279)</u>
Total net government activities capital assets	\$ 7,160,261

The County had depreciation expense of \$563,228 in FY04 and total accumulated depreciation of \$4,478,416 at June 30, 2004.

Long-Term Debt

At June 30, 2004, Delaware County had \$298,311 in long-term liabilities compared to approximately \$287,606 at June 30, 2003, as shown below:

Long-term Liabilities of Governmental Activities At Year End	
	June 30, 2004
Real Estate Contract for purchase of Mitchell-Retz Park	\$ 206,509
Compensated absences	<u>91,802</u>
Total	\$ 298,311

Long-term liabilities increased as a result of \$10,705 increased compensated absences.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County. Delaware County has no outstanding general obligation debt. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Delaware County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and the fees that will be charges for various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.4% versus 5.8% a year ago. This compares with the State's unemployment rate of 4.3% and the National rate of 5.6% for the same period ended June 30, 2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$12,211,030 million, a decrease of 11% from the final 2004 budget. These factors were all part of the considerations for the FY 2005 budget which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

	<u>Dollars Certified</u>	<u>Percentage Increase (Decrease)</u>
General Fund	\$2,572,076	1%
Mental Health Fund	926,948	0%
Rural Services	1,275,000	(6%)

Levy rates for 2004/2005 increased because of a 6% decrease in valuations.

The County has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to remain consistent for the close of 2005.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Sample County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware County Auditor's Office, 301 E. Main Street, Room 210, Manchester, Iowa.

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Basic Financial Statements

DELAWARE COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,604,370
Receivables:	
Property tax:	
Delinquent	1,562
Succeeding year	4,485,000
Interest and penalty on property tax	895
Accounts	38,082
Accrued interest	35,470
Due from other governments	1,008,650
Inventories	302,670
Capital assets, net of accumulated depreciation (note 5)	<u>7,160,261</u>
Total assets	<u>16,636,960</u>
Liabilities	
Accounts payable	559,806
Salaries and benefits payable	97,862
Due to other governments	158,945
Deferred revenue:	
Succeeding year property tax	4,485,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Compensated absences	91,802
Portion due or payable after one year:	
Real estate contract	<u>206,509</u>
Total liabilities	<u>5,599,924</u>

DELAWARE COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 6,953,752
Restricted for:	
Mental health purposes	317,592
Secondary roads	2,254,913
Other special revenue purposes	146,710
Unrestricted	<u>1,364,069</u>
Total net assets	<u>\$ 11,037,036</u>

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 1,351,499	\$ 172,924	\$ 6,201	\$ -	\$ (1,172,374)
Physical health and social services	368,647	14,737	116,334	-	(237,576)
Mental health	2,108,678	12,365	898,943	-	(1,197,370)
County environment and education	582,044	47,619	152,719	-	(381,706)
Roads and transportation	4,303,909	119,218	3,902,983	1,799,794	1,518,086
Government services to residents	393,019	298,520	13,718	-	(80,781)
Administration	891,120	44,795	6,124	-	(840,201)
Non-program	8,277	-	-	-	(8,277)
Capital projects	557,101	-	-	-	(557,101)
Total	\$ 10,564,294	\$ 710,178	\$ 5,097,022	\$ 1,799,794	(2,957,300)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,519,010
Penalty and interest on property tax					81,024
State tax credits					311,877
Local option sales and services tax					679,846
Grants and contributions not restricted to a specific purpose					50,073
Unrestricted investment earnings					101,028
Miscellaneous					85,844
Total general revenues					5,828,702
Change in net assets					2,871,402
Net assets beginning of year, as restated (note 12)					8,165,634
Net assets end of year					\$ 11,037,036

See notes to financial statements.

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DELAWARE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,382,696	\$ 542,073	\$ 79,176	\$ 1,533,150
Receivables:				
Property tax:				
Delinquent	979	353	230	-
Succeeding year	2,415,000	870,000	1,200,000	-
Interest and penalty on property tax	895	-	-	-
Accounts	37,733	-	-	304
Accrued interest	35,470	-	-	-
Due from other funds (note 3)	15,325	-	-	-
Due from other governments	44,381	1,371	-	962,898
Inventories	-	-	-	302,670
Total assets	<u>\$ 3,932,479</u>	<u>\$ 1,413,797</u>	<u>\$ 1,279,406</u>	<u>\$ 2,799,022</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 67,275	\$ 3,604,370
-	1,562
-	4,485,000
-	895
45	38,082
-	35,470
-	15,325
-	1,008,650
-	302,670
<u>\$ 67,320</u>	<u>\$ 9,492,024</u>

DELAWARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 70,136	\$ 39,060	\$ -	\$ 450,594
Salaries and benefits payable	50,694	7,914	-	39,254
Due to other funds (note 3)	-	15,325	-	-
Due to other governments (note 6)	-	158,945	-	-
Deferred revenue:				
Succeeding year property tax	2,415,000	870,000	1,200,000	-
Other	1,764	336	199	-
Total liabilities	<u>2,537,594</u>	<u>1,091,580</u>	<u>1,200,199</u>	<u>489,848</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	302,670
Resource enhancement and protection	-	-	-	-
Unreserved, reported in:				
General fund	1,394,885	-	-	-
Special revenue funds	-	322,217	79,207	2,006,504
Total fund balances	<u>1,394,885</u>	<u>322,217</u>	<u>79,207</u>	<u>2,309,174</u>
Total liabilities and fund balances	<u>\$ 3,932,479</u>	<u>\$ 1,413,797</u>	<u>\$ 1,279,406</u>	<u>\$ 2,799,022</u>

See notes to financial statements.

Nonmajor Governmental Funds		Total Governmental Funds	
\$	16	\$	559,806
	-		97,862
	-		15,325
	-		158,945
	-		4,485,000
	-		2,299
	16		5,319,237
	-		302,670
	10,615		10,615
	-		1,394,885
	56,689		2,464,617
	67,304		4,172,787
\$	<u>67,320</u>	\$	<u>9,492,024</u>

DELAWARE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances of governmental funds	\$ 4,172,787
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$11,638,677 and the accumulated depreciation is \$4,478,416.	7,160,261
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	2,299
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Long-term liabilities, including a real estate contract and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(298,311)</u>
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Net assets of governmental activities	\$ <u><u>11,037,036</u></u>
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See notes to financial statements

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DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Service	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,463,627	\$ 873,412	\$ 1,273,641	\$ 611,862
Interest and penalty on property tax	81,024	-	-	-
Intergovernmental	532,432	994,369	126,481	3,903,772
Licenses and permits	8,318	-	-	3,755
Charges for service	396,981	-	-	-
Use of money and property	125,430	-	-	-
Miscellaneous	76,268	11,967	-	131,868
Total revenues	<u>3,684,080</u>	<u>1,879,748</u>	<u>1,400,122</u>	<u>4,651,257</u>
Expenditures:				
Operating:				
Public safety and legal services	1,329,137	-	-	-
Physical health and social services	347,274	-	-	-
Mental health	-	2,107,917	-	-
County environment and education	471,523	-	113,419	-
Roads and transportation	-	-	-	4,292,224
Government services to residents	384,033	-	4,619	-
Administration	854,141	-	-	-
Non-program	8,277	-	-	-
Capital projects	56,524	-	-	1,534,295
Total expenditures	<u>3,450,909</u>	<u>2,107,917</u>	<u>118,038</u>	<u>5,826,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>233,171</u>	<u>(228,169)</u>	<u>1,282,084</u>	<u>(1,175,262)</u>
Other financing sources (uses):				
Interfund transfers in	-	-	-	1,370,782
Interfund transfers out	(131,480)	-	(1,239,302)	-
Total other financing sources (uses)	<u>(131,480)</u>	<u>-</u>	<u>(1,239,302)</u>	<u>1,370,782</u>

Nonmajor Governmental		
Funds	Total	
\$ -	\$ 5,222,542	
-	81,024	
11,467	5,568,521	
-	12,073	
27,778	424,759	
886	126,316	
4,250	224,353	
44,381	11,659,588	
4,095	1,333,232	
-	347,274	
-	2,107,917	
3,740	588,682	
-	4,292,224	
-	388,652	
-	854,141	
-	8,277	
7,702	1,598,521	
15,537	11,518,920	
28,844	140,668	
-	1,370,782	
-	(1,370,782)	
-	-	

DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

		Special Revenue			
	General	Mental Health	Rural Service	Secondary Roads	
Net change in fund balances	\$ 101,691	\$ (228,169)	\$ 42,782	\$ 195,520	
Fund balances beginning of year, as restated (note 12)	1,293,194	550,386	36,425	2,113,654	
Fund balances end of year	<u>\$ 1,394,885</u>	<u>\$ 322,217</u>	<u>\$ 79,207</u>	<u>\$ 2,309,174</u>	

See notes to financial statements.

Nonmajor Governmental Funds		Total	
\$	28,844	\$	140,668
	38,460		4,032,119
\$	<u>67,304</u>	\$	<u>4,172,787</u>

DELAWARE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 140,668

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 1,528,559	
Capital assets contributed by the Iowa Department of Transportation		1,799,794	
Depreciation expense		<u>(563,228)</u>	2,765,125

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

Property tax (23,686)

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

Compensated absences (10,705)

Change in net assets of governmental activities \$ 2,871,402

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

	Private - Purpose Trust Funds	Agency Funds
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	\$ 1,169,052
Other County officials	248,815	64
Receivables:		
Property tax receivable:		
Delinquent	-	8,683
Succeeding year	-	14,780,000
Accounts	-	26,373
Accrued interest	-	129
	<u>248,815</u>	<u>15,984,301</u>
Total assets	<u>248,815</u>	<u>15,984,301</u>
Liabilities		
Accounts payable	-	4,217
Salaries and benefits payable	-	6,398
Due to other governments (note 6)	-	15,731,894
Trusts payable	-	241,792
	<u>-</u>	<u>15,984,301</u>
Total liabilities	<u>-</u>	<u>15,984,301</u>
Net assets		
Restricted for:		
Trust principal - Spangler	128,000	-
Trust principal - Corell	2,162	-
Unrestricted	<u>118,653</u>	<u>-</u>
Total net assets	<u>\$ 248,815</u>	<u>\$ -</u>

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF CHANGES IN NET ASSETS
PRIVATE – PURPOSE TRUST FUNDS
Year Ended June 30, 2004

	<u>Private - Purpose Trust Funds</u>
Revenues:	
Interest on investments	\$ <u>6,035</u>
Expenditures:	
Vision care	398
Supplies	2,799
Construction	<u>1,772</u>
Total expenditures	<u>4,969</u>
Net change in fund balance	1,066
Balance beginning of year	<u>247,749</u>
Balance end of year	<u>\$ <u>248,815</u></u>

See notes to financial statements.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

Delaware County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Delaware County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Delaware County Assessor's Conference Board, Delaware County Emergency Management Commission and Delaware County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Fiduciary Funds:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals in various ways.

The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 150,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables and other receivables not collected within sixty days after year end.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the functions and disbursements did not exceed the amounts appropriated in any departments.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds were all deposited in financial institution depository accounts at June 30, 2004.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ <u>15,325</u>

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 131,480
	Special Revenue: Rural Services	<u>1,239,302</u>
		\$ <u>1,370,782</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 571,124	\$ -	\$ -	\$ 571,124
Construction in progress	-	242,188	-	242,188
Total capital assets not being depreciated	<u>571,124</u>	<u>242,188</u>	<u>-</u>	<u>813,312</u>
Capital assets being depreciated:				
Buildings	2,034,371	-	-	2,034,371
Machinery and equipment	5,931,049	487,139	226,220	6,191,968
Infrastructure	-	2,599,026	-	2,599,026
Total capital assets being depreciated	<u>7,965,420</u>	<u>3,086,165</u>	<u>226,220</u>	<u>10,825,365</u>
Less accumulated depreciation for:				
Buildings	1,624,464	55,229	-	1,679,693
Machinery and equipment	2,516,944	407,720	226,220	2,698,444
Infrastructure	-	100,279	-	100,279
Total accumulated depreciation	<u>4,141,408</u>	<u>563,228</u>	<u>226,220</u>	<u>4,478,416</u>
Total capital assets being depreciated, net	<u>3,824,012</u>	<u>2,522,937</u>	<u>-</u>	<u>6,346,949</u>
Governmental activities capital assets, net	<u>\$ 4,395,136</u>	<u>\$ 2,765,125</u>	<u>\$ -</u>	<u>\$ 7,160,261</u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 55,756
Physical health and social services	21,373
Mental health	8,483
County environment and education	14,502
Roads and transportation	415,249
Government services to residents	3,523
Administration	<u>44,342</u>

Total depreciation expense - governmental activities	<u><u>\$ 563,228</u></u>
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Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. The delinquent and succeeding year property taxes indicated in the column below are liens on property which have not yet been collected. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
Governmental:				
Special Revenue:				
Mental Health	Services	\$ <u>158,945</u>	\$ <u>-</u>	\$ <u>158,945</u>
Agency:				
County Assessor	Collections	\$ 157,714	\$ 553,172	\$ 710,886
Schools		203,584	9,846,048	10,049,632
Area Schools		8,476	414,168	422,644
Corporations		28,227	2,975,876	3,004,103
Townships		7,324	322,072	329,396
County Hospital		9,582	381,207	390,789
Auto License and Use Tax		356,894	-	356,894
All Other		<u>171,410</u>	<u>296,140</u>	<u>467,550</u>
Total for agency funds		<u><u>\$ 943,211</u></u>	<u><u>\$ 14,788,683</u></u>	<u><u>\$ 15,731,894</u></u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Real Estate Contract	Compensated Absences	Total
Balance beginning of year, as restated	\$ 206,509	\$ 81,097	\$ 287,606
Increases	-	91,802	91,802
Decreases	-	81,097	81,097
	<u>\$ 206,509</u>	<u>\$ 91,802</u>	<u>\$ 298,311</u>
Balance end of year	<u>\$ 206,509</u>	<u>\$ 91,802</u>	<u>\$ 298,311</u>
Due within one year	<u>\$ -</u>	<u>\$ 91,802</u>	<u>\$ 91,802</u>

Real Estate Contract

The County entered into a contract to purchase real estate during the year ended June 30, 2003. The purchase price of the land was \$232,200 and the County made a down payment of \$25,691 at the outset of the contract. The remaining balance of \$206,509 will be paid as the County receives offsetting state and federal grants. The contract has no specific amortization schedule. The total payment represents principal since the contract is an interest-free agreement.

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$173,684, \$170,702, and \$165,073, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Delaware County is exposed to various risks of loss related to tort; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 10. Construction Commitment

The County has entered into contracts totaling \$1,541,770, including change orders, for bridge construction and roadway paving. As of June 30, 2004, costs of \$1,523,402 have been incurred against the contracts. The balance remaining at June 30, 2004 of \$18,368 will be paid as work on the projects progresses.

Note 11. Private-Purpose Trust Funds

James E. Corell Trust

A portion of the estate of James E. Corell was left to Delaware County, Iowa. The Board of Supervisors is to invest the principal portion and use the interest earned to assist the needy residents of the County to obtain eye care.

H.C. Spangler Trust

A 160-acre farm was left to Delaware County, Iowa by Grace R. Spangler. The Board of Supervisors were appointed trustees and the net proceeds from the farm were to be used to assist in improving conditions for poor persons receiving aid from Delaware County, Iowa. Further, on March 18 of each year, a dinner, the Spangler Dinner, is to be held for such poor people and their guests and an annual financial statement is to be published. In 1973, the Board of Supervisors received permission from the Court to sell the Spangler Farm.

Note 12. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 12. Accounting Change

	<u>General Fund</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$ 1,279,666	\$ 547,805	\$ 36,425	\$ 2,101,475	\$ 38,460	\$ 4,003,831
GASB Interpretation 6 adjustments	<u>13,528</u>	<u>2,581</u>	<u>-</u>	<u>12,179</u>	<u>-</u>	<u>28,288</u>
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 1,293,194</u>	<u>\$ 550,386</u>	<u>\$ 36,425</u>	<u>\$ 2,113,654</u>	<u>\$ 38,460</u>	4,032,119
GASB 34 adjustments:						
Capital assets, net of accumulated depreciation of \$4,141,408						4,395,136
Long-term liabilities:						
Real estate contract						(206,509)
Compensated absences						(81,097)
Change in deferral of long-term assets						<u>25,985</u>
Net assets, July 1, 2003, as restated						<u>\$ 8,165,634</u>

Required Supplementary Information

DELAWARE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2004

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 5,224,451	\$ 5,202,008	\$ 5,202,008	\$ 22,443
Interest and penalty on property tax	81,173	30,400	30,400	50,773
Intergovernmental	4,855,831	6,042,925	6,200,925	(1,345,094)
Licenses and permits	12,333	11,150	11,150	1,183
Charges for service	420,123	281,385	281,385	138,738
Use of money and property	141,095	252,395	252,395	(111,300)
Miscellaneous	207,459	102,770	102,770	104,689
Total receipts	<u>10,942,465</u>	<u>11,923,033</u>	<u>12,081,033</u>	<u>(1,138,568)</u>
DISBURSEMENTS:				
Public safety and legal services	1,324,137	1,464,562	1,485,362	161,225
Physical health and social services	352,830	417,540	429,155	76,325
Mental health	2,076,489	2,180,355	2,180,355	103,866
County environment and education	590,988	621,081	779,081	188,093
Roads and transportation	4,194,824	4,082,000	4,530,500	335,676
Government services to residents	390,920	595,797	595,797	204,877
Administration	852,596	912,549	912,549	59,953
Non-program	8,277	19,200	19,200	10,923
Capital projects	1,414,671	2,263,000	2,663,000	1,248,329
Total disbursements	<u>11,205,732</u>	<u>12,556,084</u>	<u>13,594,999</u>	<u>2,389,267</u>
Excess (deficiency) of receipts over (under) disbursements	(263,267)	(633,051)	(1,513,966)	1,250,699
Other financing sources, net	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>(5,000)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(263,267)	(628,051)	(1,508,966)	1,245,699
Balance beginning of year	<u>3,867,637</u>	<u>2,063,520</u>	<u>2,063,520</u>	<u>1,804,117</u>
Balance end of year	<u>\$ 3,604,370</u>	<u>\$ 1,435,469</u>	<u>\$ 554,554</u>	<u>\$ 3,049,816</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 10,942,465	\$ 717,123	\$ 11,659,588
Expenditures	11,205,732	313,188	11,518,920
Net	(263,267)	403,935	140,668
Other financing sources	-	-	-
Beginning fund balances	3,867,637	164,482	4,032,119
Ending fund balances	<u>\$ 3,604,370</u>	<u>\$ 568,417</u>	<u>\$ 4,172,787</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,038,915. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the ten functions.

Other Supplementary Information

DELAWARE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Resource Enhancement and Protection</u>	<u>Conservation Land Acquisition</u>
Assets				
Cash and pooled investments	\$ 18,940	\$ 22,722	\$ 10,615	\$ 854
Receivables:				
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 18,940</u>	<u>\$ 22,722</u>	<u>\$ 10,615</u>	<u>\$ 854</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund balances:				
Unreserved	<u>18,940</u>	<u>22,722</u>	<u>10,615</u>	<u>854</u>
Total liabilities and fund equity	<u>\$ 18,940</u>	<u>\$ 22,722</u>	<u>\$ 10,615</u>	<u>\$ 854</u>

See accompanying independent auditor's report.

<u>Environmental Projects</u>	<u>Conservation Projects</u>	<u>Drug Forfeiture</u>	<u>Total</u>
\$ 2,028	\$ 12,008	\$ 108	\$ 67,275
<u>-</u>	<u>45</u>	<u>-</u>	<u>45</u>
<u>\$ 2,028</u>	<u>\$ 12,053</u>	<u>\$ 108</u>	<u>\$ 67,320</u>
\$ <u>-</u>	\$ <u>16</u>	\$ <u>-</u>	\$ <u>16</u>
<u>2,028</u>	<u>12,037</u>	<u>108</u>	<u>67,304</u>
<u>\$ 2,028</u>	<u>\$ 12,053</u>	<u>\$ 108</u>	<u>\$ 67,320</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 11,361	\$ 106
Charges for service	5,089	22,689	-	-
Use of money and property	92	33	15	620
Miscellaneous	-	-	-	-
Total revenues	<u>5,181</u>	<u>22,722</u>	<u>11,376</u>	<u>726</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	-	-
Capital projects	-	-	935	6,767
Total expenditures	<u>-</u>	<u>-</u>	<u>935</u>	<u>6,767</u>
Excess (deficiency) of revenues over (under) expenditures	5,181	22,722	10,441	(6,041)
Fund balances beginning of year	<u>13,759</u>	<u>-</u>	<u>174</u>	<u>6,895</u>
Fund balances end of year	<u>\$ 18,940</u>	<u>\$ 22,722</u>	<u>\$ 10,615</u>	<u>\$ 854</u>

See accompanying independent auditor's report.

Environmental Projects	Conservation Projects	Drug Forfeiture	Total
\$ -	\$ -	\$ -	11,467
-	-	-	27,778
8	52	66	886
-	4,250	-	4,250
8	4,302	66	44,381
-	-	4,095	4,095
-	3,740	-	3,740
-	-	-	7,702
-	3,740	4,095	15,537
8	562	(4,029)	28,844
2,020	11,475	4,137	38,460
\$ 2,028	\$ 12,037	\$ 108	\$ 67,304

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2004

	County Recorder	County Assessor	Emergency Management	Brucellosis and Tuberculosis Eradication
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ 164,224	\$ 26,942	\$ 58
Other County officials	64	-	-	-
Receivables:				
Property tax:				
Delinquent	-	172	-	1
Succeeding year	-	553,000	-	3,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	\$ <u>64</u>	\$ <u>717,396</u>	\$ <u>26,942</u>	\$ <u>3,059</u>
LIABILITIES				
Accounts payable	\$ -	\$ 112	\$ 2,958	\$ -
Salaries and benefits payable	-	6,398	-	-
Due to other governments	64	710,886	23,984	3,059
Trusts payable	-	-	-	-
Total liabilities	\$ <u>64</u>	\$ <u>717,396</u>	\$ <u>26,942</u>	\$ <u>3,059</u>

<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>City Special Assessments</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>
\$ 7,324	\$ 28,227	\$ 203,584	\$ 8,476	\$ 4,656	\$ 2,784	\$ 9,582
-	-	-	-	-	-	-
72	3,876	4,048	168	-	60	207
322,000	2,972,000	9,842,000	414,000	-	149,000	381,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 329,396</u>	<u>\$ 3,004,103</u>	<u>\$ 10,049,632</u>	<u>\$ 422,644</u>	<u>\$ 4,656</u>	<u>\$ 151,844</u>	<u>\$ 390,789</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
329,396	3,004,103	10,049,632	422,644	4,656	151,844	390,789
-	-	-	-	-	-	-
<u>\$ 329,396</u>	<u>\$ 3,004,103</u>	<u>\$ 10,049,632</u>	<u>\$ 422,644</u>	<u>\$ 4,656</u>	<u>\$ 151,844</u>	<u>\$ 390,789</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2004

	Auto License and Use Tax	Tax Sale Redemption	Advance Tax Collection	Lake District
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 356,894	\$ 15,456	\$ 221,820	\$ 1,963
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	79
Succeeding year	-	-	-	138,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	<u>\$ 356,894</u>	<u>\$ 15,456</u>	<u>\$ 221,820</u>	<u>\$ 140,042</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	356,894	-	-	140,042
Trusts payable	-	15,456	221,820	-
Total liabilities	<u>\$ 356,894</u>	<u>\$ 15,456</u>	<u>\$ 221,820</u>	<u>\$ 140,042</u>

See accompanying independent auditor's report.

<u>E-911</u>	<u>Flex Plan</u>	<u>Fire District</u>	<u>County Recorders' Electronic Transaction Fee</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Total</u>
\$ 109,923	\$ 4,516	\$ 124	\$ 2,455	\$ 44	\$ 1,169,052
-	-	-	-	-	64
-	-	-	-	-	8,683
-	-	6,000	-	-	14,780,000
26,373	-	-	-	-	26,373
129	-	-	-	-	129
<u>\$ 136,425</u>	<u>\$ 4,516</u>	<u>\$ 6,124</u>	<u>\$ 2,455</u>	<u>\$ 44</u>	<u>\$ 15,984,301</u>
\$ 1,147	\$ -	\$ -	\$ -	\$ -	\$ 4,217
-	-	-	-	-	6,398
135,278	-	6,124	2,455	44	15,731,894
-	4,516	-	-	-	241,792
<u>\$ 136,425</u>	<u>\$ 4,516</u>	<u>\$ 6,124</u>	<u>\$ 2,455</u>	<u>\$ 44</u>	<u>\$ 15,984,301</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2004

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ -	\$ 60	\$ -	\$ 570,059
Additions:				
Property and other County tax	-	-	-	553,612
State tax credits	-	-	-	23,662
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	1,881	259,692	61,225	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	37,879	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	5,377
Total additions	1,881	259,692	99,104	582,651
Deductions:				
Agency Remittance:				
To other funds	1,881	162,218	59,244	-
To other governments	-	97,470	1,981	435,314
Trusts paid out	-	-	37,879	-
Total deductions	1,881	259,688	99,104	435,314
Balances end of year	\$ -	\$ 64	\$ -	\$ 717,396

<u>Emergency Management</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>City Special Assessments</u>
\$ 36,565	\$ 3,069	\$ 331,818	\$ 3,001,618	\$ 10,257,468	\$ 433,859	\$ 6,946
-	2,918	322,692	2,974,688	9,849,477	415,012	-
-	177	18,151	178,267	612,325	25,828	-
-	-	-	-	-	-	-
48,410	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
48,410	3,095	340,843	3,152,955	10,461,802	440,840	175,156
-	-	-	-	-	-	-
-	-	-	-	-	-	-
58,033	3,105	343,265	3,150,470	10,669,638	452,055	177,446
-	-	-	-	-	-	-
58,033	3,105	343,265	3,150,470	10,669,638	452,055	177,446
\$ 26,942	\$ 3,059	\$ 329,396	\$ 3,004,103	\$ 10,049,632	\$ 422,644	\$ 4,656

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2004

	Turtle Creek Special Assessment	Agricultural Extension Education	County Hospital	Auto License and Use Tax
ASSETS AND LIABILITIES				
Balances beginning of year	\$ -	\$ 143,208	\$ 492,306	\$ 319,598
Additions:				
Property and other County tax	-	149,296	381,827	-
State tax credits	-	8,520	29,323	-
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	4,146,614
Assessments	954	-	-	-
Trusts	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	954	157,816	411,150	4,146,614
Deductions:				
Agency Remittance:				
To other funds	-	-	-	153,814
To other governments	954	149,180	512,667	3,955,504
Trusts paid out	-	-	-	-
Total deductions	954	149,180	512,667	4,109,318
Balances end of year	\$ -	\$ 151,844	\$ 390,789	\$ 356,894

<u>Tax Sale Redemption</u>	<u>Advance Tax Collection</u>	<u>Lake District</u>	<u>E-911</u>	<u>Flex Plan</u>	<u>Fire District</u>
\$ 10,791	\$ 52,124	\$ 128,098	\$ 119,409	\$ 4,492	\$ 6,119
-	-	137,913	-	-	6,111
-	-	3,423	-	-	450
-	-	-	106,098	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
83,156	221,051	-	-	56,732	-
-	-	-	1,846	-	-
-	-	-	186	-	-
83,156	221,051	141,336	108,130	56,732	6,561
-	-	-	-	-	-
-	-	129,392	91,114	-	6,556
78,491	51,355	-	-	56,708	-
78,491	51,355	129,392	91,114	56,708	6,556
\$ 15,456	\$ 221,820	\$ 140,042	\$ 136,425	\$ 4,516	\$ 6,124

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2004

	County Recorder's Electronic <u>Transaction Fee</u>	Anatomical Gift, Public Awareness, and <u>Transportation</u>	<u>Total</u>
ASSETS AND LIABILITIES			
Balances beginning of year	\$ -	\$ 26	\$ 15,917,633
Additions:			
Property and other County tax	-	-	14,793,546
State tax credits	-	-	900,126
E-911 surcharge	-	-	106,098
Reimbursements from other governments	-	-	48,410
Office fees and collections	25,505	-	348,303
Auto licenses, use tax, driver licenses, and postage	-	91	4,146,705
Assessments	-	-	176,110
Trusts	-	-	398,818
Interest on investments	8	-	1,854
Miscellaneous	-	-	5,563
Total additions	<u>25,513</u>	<u>91</u>	<u>20,925,533</u>
Deductions:			
Agency Remittance:			
To other funds	-	-	377,157
To other governments	23,058	73	20,257,275
Trusts paid out	-	-	224,433
Total deductions	<u>23,058</u>	<u>73</u>	<u>20,858,865</u>
Balances end of year	\$ <u>2,455</u>	\$ <u>44</u>	\$ <u>15,984,301</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other County tax	\$ 5,222,542	\$ 4,799,793	\$ 4,631,347	\$ 4,526,109
Interest and penalty on property tax	81,024	51,712	98,125	42,131
Intergovernmental	5,568,521	4,664,112	4,502,509	4,856,720
Licenses and permits	12,073	11,505	15,206	10,972
Charges for service	424,759	388,412	350,329	301,506
Use of money and property	126,316	163,378	212,292	352,182
Miscellaneous	224,353	148,449	268,127	150,653
Total	<u>\$ 11,659,588</u>	<u>\$ 10,227,361</u>	<u>\$ 10,077,935</u>	<u>\$ 10,240,273</u>
Expenditures:				
Current:				
Public safety and legal services	\$ 1,333,232	\$ 1,260,843	\$ 1,263,081	\$ 1,077,712
Physical health and social services	347,274	331,113	473,758	529,476
Mental health	2,107,917	2,065,131	2,016,786	1,994,139
County environment and education services	588,682	538,850	398,188	378,967
Roads and transportation	4,292,224	4,034,142	4,290,472	4,544,604
Governmental services to residents	388,652	361,134	309,043	275,525
Administrative services	854,141	907,783	878,353	807,009
Non-program	8,277	20,594	7,035	21,690
Capital projects	1,598,521	942,031	611,754	1,088,786
Total	<u>\$ 11,518,920</u>	<u>\$ 10,461,621</u>	<u>\$ 10,248,470</u>	<u>\$ 10,717,908</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administration Reimbursements:			
State Administration Matching Grants for Food Stamp Program	10.561		\$ <u>9,679</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants - States Program	14.228	02-ED-018	<u>4,353</u>
U.S. Department of Public Safety:			
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	04-163-Task 21	7,000
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	03-157-Task 43	<u>1,500</u>
			<u>8,500</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BRM 3542	70,359
Highway Planning and Construction	20.205	BROS CO28(19)	352,854
Highway Planning and Construction	20.205	BROS CO28(48)	151,341
Highway Planning and Construction	20.205	BROS CO 28(50)	<u>166,505</u>
			<u>741,059</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Public Assistance Grants	97.036	DR-1518-IA	<u>6,395</u>
Hazard Mitigation Grant	97.039	FO94-28-00	<u>2,699</u>
State Domestic Preparedness Equipment Support Program	97.004	FY 03	<u>7,500</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>12,585</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>43</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>2,322</u>
Foster Care - Title IV-E	93.658		<u>5,807</u>

DELAWARE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Human Services (continued):			
Human Services Administrative Reimbursements (continued):			
Adoption Assistance	93.659		\$ 1,533
Medical Assistance Program	93.778		12,692
Social Services Block Grant	93.667		8,273
Social Services Block Grant	93.667		75,497
			83,770
Total			\$ 898,937

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Delaware County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Delaware County:

We have audited the financial statements of Delaware County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 10, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Delaware County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for item IV-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Delaware County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Delaware County and other parties to whom Delaware County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Delaware County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
November 10, 2004

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Officials of Delaware County:

Compliance

We have audited the compliance of Delaware County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Delaware County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Delaware County's management. Our responsibility is to express an opinion on Delaware County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Delaware County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Delaware County's compliance with those requirements.

In our opinion, Delaware County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Delaware County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Delaware County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Delaware County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Delaware County and other parties to whom Delaware County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
November 10, 2004

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Delaware County did not qualify as a low-risk auditee.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Auditor, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Auditor, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety.	Auditor, Recorder, Treasurer
(4) After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder, Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

II-A-04 Segregation of Duties (continued)

Responses –

County Auditor – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We have set up various checks and reviews and employees switch duties from week to week. With our limited number of employees, further segregation of duties will be difficult.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted in any of the ten County functions.
- IV-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-I-04 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-J-04 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting (continued):

IV-K-04 Transfers – Chapter 331.429 of the Code of Iowa outlines the maximum allowable transfers of funds from the General Basic Fund and Special Revenue, Rural Services Fund to the Special Revenue, Secondary Roads Fund. During the year ended June 30, 2004, the County exceeded the maximum allowable transfer from the General Fund.

Recommendation – The County should be aware of the maximum allowable transfers and monitor these during the course of the year to insure compliance with the Code of Iowa.

Response – This was a miscalculation on our part. We will be more careful in the future to comply with the Code of Iowa.

Conclusion – Response accepted.

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